Consolidated Financial Statements
March 31, 2016

WATERSTONE

The Christian Community Foundation, Inc.
(dba WaterStone and Affiliates)

(With Comparative Totals for 2015)

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
The Christian Community Foundation, Inc. (dba WaterStone and Affiliates)
Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Christian Community Foundation, Inc. dba WaterStone and Affiliates (WaterStone), which comprise the consolidated statement of financial position as of March 31, 2016 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WaterStone as of March 31, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

440 Indiana St., Ste. 200 | Golden, CO 80401-5021 | TF 877.882.7929 | T 303.986.2454 | F 303.980.5029 | EOE

Report on Summarized Comparative Information

We have previously audited WaterStone's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Eide Bailly LLP

Golden, Colorado
August 4, 2016

	2016	2015
Assets		
Cash and cash equivalents	$ 9,935,549	$ 34,873,096
Prepaid expenses and other assets	661,252	352,592
Bequest transfers in progress	2,716,996	2,140,357
Donor account-related notes receivable, net	33,207,531	34,098,824
Beneficial interests in charitable trusts held by others	1,085,868	1,345,200
Investments, including $38,349,821 in charitable trusts held by WaterStone	241,554,157	234,758,155
Donated real estate held for sale	5,273,234	8,750,782
Property and equipment, net	17,891,690	16,160,105
Total assets	$ 312,326,277	$ 332,479,111
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 686,682	$ 1,015,162
Obligations under split-interest agreements	49,144,443	52,243,476
Note payable	150,000	149,500
Total liabilities	49,981,125	53,408,138
Net Assets		
Unrestricted	245,494,451	258,391,033
Temporarily restricted	16,850,701	20,679,940
Total net assets	262,345,152	279,070,973
Total liabilities and net assets	$ 312,326,277	$ 332,479,111

	2016			
	Unrestricted	Temporarily Restricted	Total	2015
Revenue, Support, and Gains				
Contributions	$ 42,953,287	$ 4,919,738	$ 47,873,025	$ 75,984,444
Change in value of split-interest agreements	(9,420,699)	4,277,855	(5,142,844)	(10,507,375)
Net investment (loss) return	(2,515,961)	(1,920,279)	(4,436,240)	13,933,860
Other income	1,913,895	-	1,913,895	2,379,228
Net assets released from restrictions	11,106,553	(11,106,553)	-	-
Total revenue, support, and gains	44,037,075	(3,829,239)	40,207,836	81,790,157
Expenses and Losses				
Grants and ministry program expenditures	53,287,028	-	53,287,028	39,521,265
Supporting services				
Administrative	2,970,585	-	2,970,585	2,924,994
Donor development	676,044	-	676,044	845,064
Total supporting services	3,646,629	-	3,646,629	3,770,058
Total expenses	56,933,657	-	56,933,657	43,291,323
Loss on uncollectible donor account-related notes receivable and other assets	-	-	-	262,956
Total expenses and losses	56,933,657	-	56,933,657	43,554,279
Change in Net Assets	(12,896,582)	(3,829,239)	(16,725,821)	38,235,878
Net Assets, Beginning of Year	$258,391,033	$ 20,679,940	$279,070,973	$240,835,095
Net Assets, End of Year	$245,494,451	$ 16,850,701	$262,345,152	$279,070,973

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ (16,725,821)	$ 38,235,878
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	503,541	428,855
Change in value of split-interest agreements	(573,340)	7,552,392
Change in beneficial interest in charitable trusts held by others	259,332	1,392,376
(Gain) loss on sale of assets	(80,773)	212,519
Bequest transfer in progress	(2,716,996)	(2,140,357)
Net realized/unrealized (gain) loss on investments	14,823,136	(11,935,372)
Loss on uncollectible donor account-related notes receivable and other assets	-	262,956
Donation of investments	(4,416,207)	(18,840,018)
Donation of property and equipment capitalized	-	(3,848,730)
Donation of real estate held for sale	(1,345,538)	(3,810,000)
Change in value of donated real estate held for sale	(66,706)	105,188
Change in operating assets	(299,778)	(113,025)
Change in operating liabilities	(328,480)	6,960,631
Net Cash from (used for) Operating Activities	(10,967,630)	14,463,293
Cash Flows from Investing Activities		
Purchases of investments	(88,941,073)	(78,085,776)
Proceeds from sale of investments	71,820,157	86,555,314
Proceeds from sale of real estate held for sale	3,350,563	1,601,540
Purchases of property and equipment	(761,657)	(1,923,255)
Proceeds from sale of property and equipment	146,533	-
Issuance of notes receivable	(433,145)	(402,190)
Principal collections on notes receivable	1,315,556	880,811
Net Cash from (used for) Investing Activities	(13,503,066)	8,626,444
Cash Flows from Financing Activities		
Payments on split-interest agreements	(2,549,440)	(3,036,308)
Issuance of notes payable	500	-
Proceeds from establishment of new split-interest agreements	2,082,089	295,648
Net Cash from (used for) Financing Activities	(466,851)	(2,740,660)
Net Change in Cash and Cash Equivalents	(24,937,547)	20,349,077
Cash and Cash Equivalents, Beginning of Year	34,873,096	14,524,019
Cash and Cash Equivalents, End of Year	$ 9,935,549	$ 34,873,096

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The Christian Community Foundation, Inc., dba WaterStone and Affiliates (WaterStone), is a national foundation; Waterstone's vision is to see "Every Christian a faith-filled intentional giver." Our mission is "Honoring God, Serving Givers, and Building the Kingdom." To fulfill this mission, we provide creative gifting solutions to donors, encouraging them in a broad range of charitable and educational endeavors as well as direct Christian ministries. We offer a variety of gift-planning solutions, including donor advised funds, field-of-interest funds, ministry charity projects, charitable trusts, charitable gift annuities, and supporting organizations, each structured to meet the specific donor's needs and charitable vision. Distributions recommended by donors and approved by the WaterStone Board of Directors go to thousands of domestic and foreign nonprofit organizations.

Principles of Consolidation

The accompanying consolidated financial statements (financial statements) of WaterStone include the accounts of The Christian Community Foundation, Inc., WaterStone Support Foundation, Inc., and the following affiliated supporting organizations: National Foundation, Inc., The Cary Brown Family Foundation, The Genesis Foundation, The Jonna & Jill Foundation, The Matthew 6:20 Foundation, The Moriah Foundation, OC International Support Foundation, The Rough Acres Foundation, Papua New Guinea Tribal Foundation, WaterStone Supporting Organization Trust #1, WaterStone Supporting Organization Trust #2, and Overflow, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "WaterStone," "we," "us," and "our."

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with WaterStone's audited financial statements for the year ended March 31, 2015, from which the summarized information was derived.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Donor Account-Related Notes Receivable

Donor account-related notes receivable arise in the normal course of receiving and disposing various assets contributed by donors, and are reported at the net amount we expect to collect, including accrued interest. We determine the allowance for uncollectable notes receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Notes receivable are written off when deemed uncollectable. At March 31, 2016, the allowance was $41,678.

Bequest Transfers in Progress

Bequest transfers in progress arise when we receive notice of an imminent transfer of assets from an estate, and information sufficient to determine the fair value of the assets to be transferred. There were four bequest transfers in progress totaling $2,716,996 at March 31, 2016.

Beneficial Interests in Charitable Trusts Held by Others

We have been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, we have neither possession nor control over the assets of the trusts. At the date we receive notice of a beneficial interest, a temporarily restricted contribution is recorded in the statement of activities, and a beneficial interest in charitable trusts held by others is recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities. Upon receipt of trust distributions and/or expenditures in satisfaction of the restricted purpose stipulated by the donor, if any, temporarily restricted net assets are released to unrestricted net assets.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, partnership distributions and rental income on our investment properties, realized and unrealized capital gains and losses, less investment management and custodial fees. We are assisted by dozens of investment advisors in the management of our investment assets. Approved investment advisors operate within defined investment objectives and policies established by our Board of Directors.

Donated Real Estate Held for Sale

We record donated real estate held for sale at estimated fair market value, and report unrealized and realized gains and losses in the statement of activities.

Property and Equipment

We record property and equipment additions over $5,000 at cost, or if donated, at fair value on the date of donation. We compute depreciation using the straight-line method over the estimated useful lives of the assets, ranging from three and twenty-seven years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review asset carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended March 31, 2016.

Assets Held and Liabilities Under Split-Interest Agreements

Charitable Trusts

We act as trustee for various revocable and irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to us, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If a trust is revocable, or if the maker of the trust reserves the right to replace us as the beneficiary of the trust, we record the assets placed in trust at fair value, with an equal and offsetting liability until such time as we receive distributions from the trust in accordance with its terms. If the trust is irrevocable, the trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a temporarily restricted contribution until such amount is received via trust distribution and/or is expended in satisfaction of the restricted purpose stipulated by the trust agreement, if any, at which time temporarily restricted net assets are released to unrestricted net assets. In subsequent years, the liability for future trust payments to the specified beneficiaries is reduced by payments made to the specified beneficiaries and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income.

Charitable Gift Annuities

Under charitable gift annuity contracts, we receive immediate and unrestricted title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value at the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and a risk-adjusted discount rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income. Historically, we have maintained contributed assets until termination of the contract; however, we are not required to do so except in certain states which require the assets to be held in trust until termination of the contract.

In order to reduce actuarial and investment risk associated with annuity contracts, we insure a portion of our payment obligations with insurance companies rated “A” or better (excellent) by A.M. Best Company. We pay a premium to the insurer in exchange for which the insurer assumes the future payment obligations. While we remain contingently liable for the payments in the event the insurer becomes incapable of fulfilling its payment obligations, we consider the likelihood of this occurrence to be remote. Therefore, annuity liabilities assumed by the insurer are removed from the accounts.

Pooled Income Trusts

We act as a trustee for several pooled income trusts whereby the contributions of many donors are combined for investment purposes. Contributed assets are recorded at fair value at the date of receipt. The related discount in future interest is recorded at fair value using present value techniques and a risk-adjusted discount rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the future interest is recorded as a temporarily restricted contribution. Under these agreements, we distribute interest and dividend income earned on the trust investments in proportion to each donor's ownership interest in the trust. In subsequent years, the amortization of the discount is recognized as a change in value of split-interest agreements in the statement of activities. Upon termination of the pooled trust agreement, the value of the donor's ownership interest is assigned to us and the remaining discount is removed and recognized as income.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Our governing documents and gift agreements give the Board of Directors variance power to modify donor instructions or restrictions that are incapable of fulfillment or inconsistent with our Statement of Faith, policies, or IRS guidance. As a result, most contributions are classified as unrestricted net assets in the statements of activities.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or other actions we may take, and/or the passage of time.

We report contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions we may take. We had no permanently restricted net assets at March 31, 2016.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. A significant portion of our funding is provided by donors making legacy gifts. Consequently, a small number of donors may account for a large percentage of the total contributions we receive in any given year. Other income, consisting primarily of administrative management fees, is recognized when services have been performed. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grants and Grant Commitments

We recognize grants as expenses at the time recipients are entitled to receive them. Generally, this occurs when the Board of Directors approves a specific grant, or when management, pursuant to grant authorization policies established by the Board of Directors, determines that a grant payment should be made. Grants approved but not disbursed are recorded as grants payable in the statement of financial position. Grants authorized but unpaid at March 31, 2016 totaled $81,924, and have been included in accounts payable and accrued expenses in the statement of activities. Grants approved but contingent upon fulfillment of certain specified conditions are not recorded until such time as the conditions are substantially met. No conditional grants were outstanding at March 31, 2016.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Note 7 presents total expenses by function.

Income Taxes

The Christian Community Foundation and its Affiliates (other than WaterStone Supporting Organization Trust 1) are organized as either nonprofit corporations or trusts and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) or (viii), and have been determined not to be private foundations under Sections 509(a)(1) or (3). Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes.

The Christian Community Foundation and Moriah Foundation file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report their unrelated business taxable income. Christian Community Foundation and Moriah Foundation did not incur significant income tax expense during the year ended March 31, 2016. All other affiliated entities have determined they are not subject to unrelated business income tax and have not filed Form 990-T with the IRS.

WaterStone Supporting Organization Trust 1 (Trust 1) is organized as a nonexempt charitable trust under section 4947(a)(1) of the Internal Revenue Code (IRC). Trust 1 qualifies for the charitable contribution deduction under Section 170 and has requested nonprivate foundation status under Section 509(a)(3). Trust 1 is not treated as exempt from income tax under Section 501(a) of the Internal Revenue Code and, therefore must also file a U.S. Income Tax Return for Estates and Trusts (Form 1041) for any tax year in which it has taxable income. Trust 1 did not incur significant income tax expense during its fiscal year ended December 31, 2015.

We believe each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entities would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Christian Community Foundation's and Moriah Foundation's Forms 990-T and other income tax filings by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2012.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions we believe to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with donor account-related notes receivable varies based on the creditworthiness of individual borrowers, available guarantees, and collateral securing the loans. We utilize the services of a variety of investment managers whose performance is monitored by management and the Board of Directors. Investments are placed in managed funds administered by a diversified population of investment managers in order to reduce investment risk.

Although the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that our investment policies and guidelines are prudent for the long-term welfare of the organization.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. *Grants payable* totaling $395,331 have been added to *Accounts payable and accrued expenses* and $10,005,023 has been reclassified from *Accounts payable and accrued expenses* to *Obligation under split-interest agreements*, in the statement of financial position, to include pooled income trusts together with split-interest agreements. *Net investment losses* of $1,998,488 have been reclassified to *Change in value of split-interest agreements* in the statement of activities to include those losses in the change in value of pooled income trusts.

Subsequent Events

We have evaluated subsequent events through August 4, 2016, the date the financial statements were available to be issued.

Note 2 - Fair Value

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the our own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of our investment assets are classified within Level 1 because they are comprised of equity securities, open-end mutual funds, and publicly traded partnerships with readily determinable fair values based on daily closing market prices or redemption values.

Fixed income securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions; life insurance policies are valued at cash surrender value, which we believe approximates their market values; other investments are valued using market-price data for similar assets. These are classified within Level 2.

The fair values of beneficial interests in charitable trusts held by others and obligations under split-interest agreements are determined using present value techniques, actuarial tables, the fair values of trust investments as reported by the trustees or held by us, and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and liabilities. Investments in limited partnerships, privately held equity, real estate property, and certain other investments are not readily marketable and are reported at fair value utilizing the most current information provided by investment managers and third-party independent appraisers. In some cases, we also utilize industry standard valuation techniques, including discounted cash flow models. The significant unobservable inputs used in fair value measurements of our direct investments may include cost of capital, and equity and industry risk premiums. These are considered to be Level 3 measurements.

We use Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the fair values of certain hedge fund interests which do not have readily determinable fair values. Investments valued at NAV are classified within Level 2 if we have the ability to redeem the investment at NAV per share at the measurement date or within the near term; otherwise, the investment is classified within Level 3. Transfers between Level 2 and Level 3 result from the expiration or commencement of lock-ups which impact our ability to exit the fund within near term.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at March 31, 2016:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Bequest transfer in progress				
Securities in transit	$ 2,716,996	$ 2,716,996	$ -	$ -
Beneficial interests in charitable trusts held by others	$ 1,085,868	$ -	$ -	$ 1,085,868
Investments				
Money market funds (at cost)	$ 15,151,607	$ -	$ -	$ -
Mutual funds				
Equity	61,964,940	61,964,940	-	-
Fixed income	35,296,144	35,296,144	-	-
Balanced	2,321,561	2,321,561	-	-
Marketable equity securities	24,933,039	24,933,039	-	-
Fixed income				
Corporate bonds	5,566,728	-	5,566,728	-
Certificate of deposits	4,958,870	-	4,958,870	-
Government bonds	25,792,030	-	25,792,030	-
Multi-strategy hedge and recourse debt funds	2,556,711	-	1,959,403	597,308
Insurance investments - Annuities and life policies	3,963,392	-	3,963,392	-
Publicly traded partnerships	1,791,751	1,791,751	-	-
Limited partnership interests	30,356,315	-	-	30,356,315
Real estate property	4,614,629	-	-	4,614,629
Privately held equity and other investments	22,286,440	-	-	22,286,440
	$ 241,554,157	$ 126,307,435	$ 42,240,423	$ 57,854,692
Donated real estate held for sale	$ 5,273,234	$ -	$ -	$ 5,273,234

Investments in the above table include $38,349,821 held in charitable trusts administered by WaterStone at March 31, 2016.

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended March 31, 2016:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)					
	Beneficial Interests in Charitable Trusts	Multi-strategy Hedge and Recourse Debt Funds	Real Estate Limited Partnerships	Real Estate Property	Privately Held Equity and Other Investments	Donated Real Estate Held for Sale
Assets						
Beginning Balance	$ 1,345,200	$ 887,396	$ 34,308,444	$ 4,555,729	$ 14,431,194	$ 8,750,782
Purchases/contributions of investments	-	-	1,318,612	523,000	8,484,595	1,345,538
Net realized and unrealized gain (loss)	(2,427)	(137,647)	(25,033)	35,900	(125,281)	147,477
Interest and dividends	-	14,223	-	-	-	-
Investment management fees	-	(4,701)	-	-	-	-
Distributions	(256,905)	(161,963)	(5,245,708)	(500,000)	(504,068)	(4,970,563)
Reclassifications	-	-	-	-	-	-
Ending Balance	$ 1,085,868	$ 597,308	$ 30,356,315	$ 4,614,629	$ 22,286,440	$ 5,273,234
Unrealized gain (loss) included in net investment return in the statement of activities relating to assets still held at year end	$ (2,427)	$ (137,647)	$ (25,033)	$ 58,900	$ (220,994)	$ 66,704

The following table presents liabilities measured at fair value on a recurring basis at March 31, 2016:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities				
Obligations under split-interest agreements				
Charitable trusts	$ 29,240,313	$ -	$ -	$ 29,240,313
Gift annuities	7,602,776	-	-	7,602,776
Pooled income trusts	12,301,354	-	-	12,301,354
	$ 49,144,443	$ -	$ -	$ 49,144,443

Below is a reconciliation of the beginning and ending balance of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended March 31, 2016. The net change in value of obligations under split-interest agreements includes the impact of realized and unrealized gains and losses, changes in discount rates, and changes in value from actuarially derived fluctuations.

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)		
	Charitable Trusts	Gift Annuities	Pooled Income Trusts
Liabilities			
Beginning Balance	$ 36,201,476	$ 6,036,977	$ 10,005,023
Payments to trust beneficiaries and annuitants	(1,567,866)	(981,574)	-
Dissolution of trusts and gift annuities	(5,440,075)	(152,178)	-
Issuance of new trusts and gift annuities	471,904	-	1,610,185
Change in value of split-interest agreements	(425,126)	2,699,551	686,146
Ending Balance	$ 29,240,313	$ 7,602,776	$ 12,301,354

Investments in certain entities that calculate NAV per share were as follows at March 31, 2016:

	Number of Investments	Fair value	Redemption Frequency	Redemption Notice Period
Recourse Debt Fund	1	$ 109,411	Redemption suspended with orderly liquidation as the fund	60 days
Multi-strategy Hedge Funds	2	487,897	Redemption suspended pending orderly liquidation of the fund	N/A
		$ 597,308		

Recourse Debt Fund – Funds focused on fixed income investments through recourse-backed strategies in healthcare, education, and private credit.

Multi-strategy Hedge Funds – Funds that can invest long and short, primarily in common stocks. Fund managers may invest in value, growth, or event-driven equity opportunities and typically are not restricted by market capitalization, industry sector, or geography. Leverage may be utilized, which can magnify changes in the values of the underlying securities.

We have no unfunded commitments relating to these investments.

Note 3 - Net Investment Return

Net investment loss consisted of the following for the year ended March 31, 2016:

Interest and dividends	$ 6,062,932
Partnership distributions and rental income	4,323,964
Net realized and unrealized loss	(13,174,782)
Less investment management and custodial fees	(1,648,354)
	$ (4,436,240)

Note 4 - Donor Account-Related Notes Receivable

Donor account-related notes receivable consisted of the following at March 31, 2016:

Note receivable from a corporation pursuant to a stock-redemption agreement, payable in annual instalments of $1,875,810, bearing interest at 4.61% compounded annually, secured by shares redeemed, including accrued interest of $1,052,128	$ 25,949,657
Other notes receivable from organizations and individuals, payable as stipulated in the notes, bearing interest at rates ranging from 0% to 12%, unsecured and secured by stock, other assets, and personal guarantees, including accrued interest of $17,686	7,299,552
	33,249,209
Less allowance for uncollectible amounts	(41,678)
	$ 33,207,531

Donor account-related notes receivable activity consisted of the following for the year ended March 31, 2016:

	Notes Receivable	Interest	Allowance	Total
Notes receivable, beginning of year	$ 33,061,806	$ 1,091,196	$ (54,178)	$ 34,098,824
Issuance of new notes	433,145	-	-	433,145
Repayments	(1,315,556)	-	-	(1,315,556)
Interest charges	-	1,499,107	-	1,499,107
Interest payments	-	(1,520,489)	-	(1,520,489)
Bad debt expense	-	-	12,500	12,500
Notes receivable, end of year	$ 32,179,395	$ 1,069,814	$ (41,678)	$ 33,207,531

Note 5 - Property and Equipment

Property and equipment consisted of the following at March 31, 2016:

	Ministry Purpose	General and Administrative	Total
Land and improvements	$ 9,627,008	$ -	$ 9,627,008
Buildings and improvements	10,795,675	36,090	10,831,765
Furniture and office equipment	94,495	290,829	385,324
Equipment and vehicles	86,089	-	86,089
	20,603,267	290,829	20,930,186
Less accumulated depreciation	(2,837,962)	(200,534)	(3,038,496)
	$ 17,765,305	$ 90,295	$ 17,891,690

Note 6 - Restricted Net Assets

Temporarily restricted net assets at March 31, 2016, consisted of:

Restricted by donors for	
Ministry charity projects	$ 1,167,255
Field-of-interest	1,442,612
Scholarships	7,614,090
Time restrictions	
Bequest transfers in progress	2,716,996
Beneficial interests in charitable trusts	1,085,868
Charitable trusts	2,823,880
	$ 16,850,701

Net assets were released from restrictions as follows during the year ended March 31, 2016:

Satisfaction of purpose restrictions	
Ministry charity projects	$ 597,359
Field-of-interest	163,903
Scholarships	157,990
East Africa safe-water project	500,000
Expiration of time restrictions	
Bequest transfers in progress	2,140,358
Beneficial interests in charitable trusts	256,905
Charitable trusts	7,290,038
	$ 11,106,553

Note 7 - Functionalized Expenses

Total expenses by function were as follows for the year ended March 31, 2016:

Grants and ministry program	$ 53,287,028
Administrative (including investment management fees of $1,648,354)	4,618,939
Donor development	676,044
Total functionalized expenses	$ 58,582,011

Note 8 - Employee Benefits

We sponsor a tax-deferred annuity plan (Plan) qualified under section 403(b) of the Internal Revenue Code covering substantially all employees with a minimum of one year of service. Pursuant to the terms of the Plan, we contribute $0.50 for every dollar contributed by the employee up to a maximum employer contribution of 3% of an employee's wages. Amounts contributed by employees are immediately vested; employer contributions vest over five years of service, at which time the maximum employer contribution increases to 5% of an employee’s wages. During the year ended March 31, 2016, we contributed $48,861 to the Plan.

Note 9 - Related Party Transactions

Our Conflict of Interest policy requires the Boards of Directors of WaterStone and its affiliates to review, at least annually, all related party transactions and potential conflicts of interest.

In the normal course of our operations, we may have ownership interests in various entities in which members of our Boards of Directors have operating or controlling interests. The President of WaterStone is a board member of an investment company which manages $1,262,227 of WaterStone investments as of March 31, 2016. Loss from these investment holdings totaled $56,614 for the year ended March 31, 2016.

In March 2011, a company owned by a board member of an Affiliate purchased the assets of an entity that owns and maintains the accounting software package used by us since January 1, 2008. We paid $144,102 in license and support fees for the year ended March 31, 2016.

Supplementary Information
March 31, 2016

The Christian Community Foundation, Inc.
(dba WaterStone and Affiliates)

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Supplementary Information

The Board of Directors
The Christian Community Foundation, Inc. (dba WaterStone and Affiliates)
Colorado Springs, Colorado

We have audited the consolidated financial statements (financial statements) of The Christian Community Foundation, Inc. dba WaterStone and Affiliates (WaterStone) as of and for the year ended March 31, 2016, and our report thereon dated August 4, 2016, expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The following supplementary information is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Eide Bailly LLP

Golden, Colorado
August 4, 2016

440 Indiana St., Ste. 200 | Golden, CO 80401-5021 | TF 877.882.7929 | T 303.986.2454 | F 303.980.5029 | EOE

	The Christian Community Foundation	WaterStone Support Foundation	Affiliates	Eliminations	Total
Assets					
Cash and cash equivalents	$ 8,106,191	$ 1,592,417	$ 236,941	$ -	$ 9,935,549
Prepaid expenses and other assets	518,641	156,090	9,021	(22,500)	661,252
Bequest transfers in progress	2,716,996	-	-	-	2,716,996
Donor account-related notes receivable, net	27,394,564	3,575,571	2,237,396	-	33,207,531
Beneficial interests in charitable trusts held by others	1,085,868	-	3,200	(3,200)	1,085,868
Investments, including $38,349,821 in charitable trusts administered by WaterStone	165,398,228	54,479,975	25,206,729	(3,530,775)	241,554,157
Donated real estate held for sale	-	4,313,234	960,000	-	5,273,234
Property and equipment, net	126,384	3,999,284	13,766,022	-	17,891,690
Total assets	$ 205,346,872	$ 68,116,571	$ 42,419,309	$ (3,556,475)	$ 312,326,277
Liabilities and Net Assets					
Accounts payable and accrued expenses	$ 538,292	$ 93,310	$ 80,780	$ (25,700)	$ 686,682
Obligations under split-interest agreements	19,904,130	32,771,088	-	(3,530,775)	49,144,443
Note payable	-	150,000	-	-	150,000
Total liabilities	20,442,422	33,014,398	80,780	(3,556,475)	49,981,125
Net Assets					
Unrestricted	170,650,596	32,505,326	42,338,529	-	245,494,451
Temporarily restricted	14,253,854	2,596,847	-	-	16,850,701
Total net assets	184,904,450	35,102,173	42,338,529	-	262,345,152
Total liabilities and net assets	$ 205,346,872	$ 68,116,571	$ 42,419,309	$ (3,556,475)	$ 312,326,277

	The Christian Community Foundation	WaterStone Support Foundation	Affiliates	Eliminations	Total
Revenue, Support, and Gains					
Contributions	$ 46,316,149	$ 3,908,045	$ 8,050,593	$ (10,401,762)	$ 47,873,025
Change in value of split-interest agreements	(6,556,210)	1,450,266	(36,900)	-	(5,142,844)
Net investment (loss) return	(4,749,214)	2,222,358	(1,909,384)	-	(4,436,240)
Other income	4,934,292	(224,155)	339,336	(3,135,578)	1,913,895
Total revenue, support, and gains	39,945,017	7,356,514	6,443,645	(13,537,340)	40,207,836
Expenses					
Grants and ministry program expenditures	49,701,225	9,582,029	7,541,114	(13,537,340)	53,287,028
Supporting services					
Administrative	2,622,812	153,844	193,929	-	2,970,585
Donor development	603,974	2,451	69,619	-	676,044
Total supporting services	3,226,786	156,295	263,548	-	3,646,629
Total expenses	52,928,011	9,738,324	7,804,662	(13,537,340)	56,933,657
Change in Net Assets	(12,982,994)	(2,381,810)	(1,361,017)	-	(16,725,821)
Net Assets, Beginning of Year	197,887,444	37,483,983	43,699,546	-	279,070,973
Net Assets, End of Year	$ 184,904,450	$ 35,102,173	$ 42,338,529	$ -	$ 262,345,152